

RESPONSE TO REQUEST
FOR ADDITIONAL REVIEW

COMPETITIVE BIDDING OF CONTRACTS
RUBBISH DISPOSAL CONTRACTS
DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

PREPARED FOR
THE DETROIT METRO AIRPORT REVIEW COMMITTEE

March 5, 2001

The Honorable Glenn D. Steil
Michigan Senate
Chair, Detroit Metro Airport Review Committee
1020 Farnum Building
Lansing, Michigan

Dear Senator Steil:

This special report is in response to the June 6, 2000 letter from the Joint Legislative Select Committee on the Wayne County Detroit Metropolitan Airport requesting a more detailed review of the Detroit Metropolitan Wayne County Airport (the Airport). This special report contains our response to four questions in the general issue area of competitive bidding of contracts related to rubbish disposal contracts.

Specifically, that Committee asked us to provide any evidence that supports or refutes the Airport's assertion that the 1992 Wayne County Commission resolution authorizing a three-year contract between the County of Wayne and City Environmental Services, Inc., to provide rubbish disposal services at the Airport permits the County to renew the contract without obtaining Commission approval.

In addition, that Committee asked us if the Standard Disposal Services, Inc., contract was competitively bid and to comment on the Airport's failure to provide a published advertisement for bids or copies of submitted bid proposals for the 1997 agreement with Standard Disposal Services, Inc. Further, the Committee asked us to determine if the Standard Disposal Services, Inc., contract will be renewed or extended.

Our procedures were of limited scope. Therefore, our review should not be considered an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We are available to present this special report to the Detroit Metro Airport Review Committee upon request. If this is the Committee's desire or if you have any questions or concerns regarding this review, please contact me.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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All exhibits of the Wayne County Detroit Metropolitan Airport Preliminary Review Reports are available by contacting the Office of the Auditor General in writing and specifying the exact exhibits that you would like to receive. Your written request, with your name and address, must be sent to: The Office of the Auditor General, 201 N. Washington Square, 6th Floor, Lansing, Michigan, 48913.

OVERVIEW OF AIRPORT CONTRACTS FOR DISPOSAL SERVICES

Wayne County enters into numerous and diverse contractual agreements on behalf of the Detroit Metropolitan Wayne County Airport. The County engages in traditional contractual agreements for the purchase of goods and services necessary to operate the Airport. Included in purchased services is trash and garbage disposal. City Environmental Services, Inc. (City Environmental), has provided these services in the past. Standard Disposal Services, Inc. (Standard Disposal), is the current provider.

The initial agreement between the Airport and City Environmental was approved by the Wayne County Commission on October 15, 1992 and expired on November 30, 1995. The contract provided the County with an option to extend the contract on a month-to-month basis after November 30, 1995.

The initial agreement between the Airport and Standard Disposal was approved by the Wayne County Commission on July 17, 1997 and expired on August 31, 2000. The Commission resolution provided the County with an option to renew the contract for one year after August 31, 2000.

SCOPE OF REVIEW

Our procedures were of limited scope. Therefore, our review should not be considered an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We reviewed documentation for the competitive bidding process for the 1992 trash disposal contract awarded to City Environmental. We examined the City Environmental contract, Wayne County Commission Resolution 92-588, and the purchase order.

In addition, we examined the contract between Standard Disposal and the Airport, Wayne County Commission Resolution 97-403, the purchase order, and documentation of one published advertisement in *The Michigan Chronicle*.

We reviewed our Preliminary Review of Competitive Bidding of Contracts, Detroit Metropolitan Wayne County Airport.

COMMENTS

Request:

The report indicates that the initial agreement between the Airport and City Environmental expired in 1995 and was renewed on a month-to-month basis from December 1, 1995 through August 31, 1997. The Commission did not approve the contract renewal that covered the period December 1, 1995 through November 30, 1996. The Airport argues that Commission approval was not required, as the 1992 Commission resolution authorized the renewal of the agreement; however, the Commission resolution that the Airport relied upon specifically authorized only the initial three-year agreement, not the renewal period. Please provide any evidence that supports or refutes the Airport's assertion that the 1992 Commission resolution permits the County to renew the contract without obtaining additional Commission approval.

Procedure:

We reviewed the Airport's response to the preliminary review report, the signed contract between the Airport and City Environmental, the County Executive's letter of recommendation to the Commission, the 1992 Commission resolution, and the original purchase order.

We made inquiries to the Wayne County Clerk's Office to determine whether any revisions or changes were made to Commission Resolution 92-588.

Comment:

The Airport originally entered into a three-year contract with City Environmental on December 2, 1992 for the provision of trash and garbage disposal service at the Airport. The contract expired on November 30, 1995. The contract contained the option to extend the agreement on a month-to-month basis for a maximum of 12 months. The Airport requested Commission approval for a one-year renewal option.

Wayne County Commission Resolution 92-588 approved a three-year contract between the County of Wayne and City Environmental in the amount of \$452,790 (Exhibit A). It did not include approval of a provision to renew or extend the contract.

Wayne County Commission Resolution 92-588 does not support the Airport's assertion that the Resolution permits the County to renew the contract without obtaining additional Commission approval.

It does not appear that the Wayne County Commission intended to authorize renewal or extension periods to the contract as approval of renewal or extension periods were not specifically provided for in the Resolution.

Wayne County Clerk's Office staff informed us that no changes were made to Wayne County Commission Resolution 92-588.

Request:

In 1997, City Environmental's trash disposal contract was awarded to a different firm, Standard Disposal. According to the preliminary review report, the Airport failed to provide a published advertisement for bids or copies of submitted bid proposals for the 1997 agreement with Standard Disposal. Please determine whether the contract was, in fact, competitively bid and comment upon the Airport's failure to provide these records.

Procedure:

We reviewed the Standard Disposal contract file. We made inquiries of the Airport purchasing department manager. We reviewed the purchase order, the purchase requisition for published advertisements, a copy of the advertised bid in *The Michigan Chronicle*, bid tabulation sheets, and the County Executive's letter of recommendation to the Wayne County Commission. We also reviewed the Wayne County Commission meeting minutes and the Committee on Roads, Airports and Public Services meeting minutes at which this contract was discussed.

Comment:

The letter of recommendation from the County Executive to the Wayne County Commission (which states, "In response to advertisements and direct solicitation of fourteen (14) companies, six (6) companies responded to Solicitation of Bids . . ." [Exhibit B]) and the bid tabulation sheets indicate that the trash disposal contract was

competitively bid. Airport staff informed us that the bidders list and the submitted bid proposals could not be located. Therefore, we could not verify that bids were submitted.

Our review of *The Michigan Chronicle* for July 17 through 23, 1996 showed the publication for an advertisement for bids for the trash disposal contract.

Request:

According to the preliminary review report, the Standard Disposal contract expires on August 31, 2000. Please determine if this contract will be renewed or extended. If it will be renewed or extended, how and by whom was this decision reached? If it will not be renewed or extended, what action has occurred to date to bid the contract?

Procedure:

We reviewed the Airport's response to the preliminary review report, the contract between the Airport and Standard Disposal, Wayne County Commission Resolution 97-403, and the purchase order. We made inquiries to the Airport's purchasing department manager regarding the Airport's plans to renew or extend the 1997 Standard Disposal contract.

Comment:

The Wayne County Purchasing Director approved a purchase order dated March 17, 2000 awarding the rubbish and trash disposal contract to Great Lakes Waste Services (formerly Standard Disposal Services, Inc.) (Exhibit C). The purchase order described the Airport's option to extend or renew the 1997 contract. The 1997 Commission resolution documents the Commission's approval of the one-year renewal option (Exhibit D).

The contract renewal period began September 1, 2000 and ends August 31, 2001. The Airport purchasing department manager informed us that the decision to exercise the one-year renewal was initiated by the deputy director of the Maintenance Division. The Airport informed us that it decided to renew the contract because there had been no problems with the job performance of Great Lakes Waste Services during the term of its contract and the 4% price increase requested by Great Lakes Waste Services was reasonable. Action has been taken to re-bid the contract for services needed beyond August 31, 2001.

Airport Response:

A draft of this report was shared with the Airport on February 5, 2001. On February 13, 2001, the Airport responded to our comment regarding the lack of Commission approval for the one-year renewal option for the 1992 three-year rubbish and trash disposal contract with City Environmental.

The Airport contends that the phrase contained within Wayne County Commission Resolution 92-588, "as recommended by the Chief Executive Officer", means that the Commission intended to approve the one-year renewal option recommended by the County Executive. The County Executive recommended that the Commission approve a three-year contract with a one-year renewal option.

Epilogue:

If the Commission had intended to approve a one-year renewal option, it would have done so explicitly. For example, Wayne County Commission Resolution 97-403, which approved the contract between the County of Wayne and Standard Disposal, explicitly referred to the one-year renewal option when approving the contract as recommended by the County Executive.

EXHIBITS

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RESOLUTION

No. 92-588

By Commissioner Currie

RESOLVED, by the Wayne County Commission this 15th day of October, 1992 that approval be, and is hereby, granted authorizing a three-year contract between the County of Wayne and City Environmental Services, Inc. (of Romulus) in the amount of \$452,790.60 to provide rubbish disposal services at 13 locations for the Department of Public Services Airport Division at Metropolitan Airport, as recommended by the Chief Executive Officer; and be it further

RESOLVED, that the cost of the contract shall be charged to Account No. 580 97000 817020.

(92-37-202)

(retyped for report presentation)

RESOLUTION

No. 97-403

By Commissioner Plawecki

RESOLVED, by the Wayne County Commission, this 17th day of July, 1997 that approval be, and is hereby, granted authorizing a contract between the County of Wayne and Standard Disposal Services, Inc. (of Detroit) in the amount of \$489,291.84 to provide waste removal and disposal from Metropolitan Airport for a three-year period to commence upon award, with a one-year renewal option, as recommended by the Chief Executive Officer; and be it further

RESOLVED, that the cost of the contract shall be charged to Account No. 580 97000 817020; and be it further

RESOLVED, that the Chief Executive Officer be, and is hereby, duly authorized to execute the aforementioned contract on behalf of the County of Wayne.

[Agreement on File]

(96-37-219)

(retyped for report presentation)